ODFJELL DRILLING

Q3 2019 Presentation

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- for Decades

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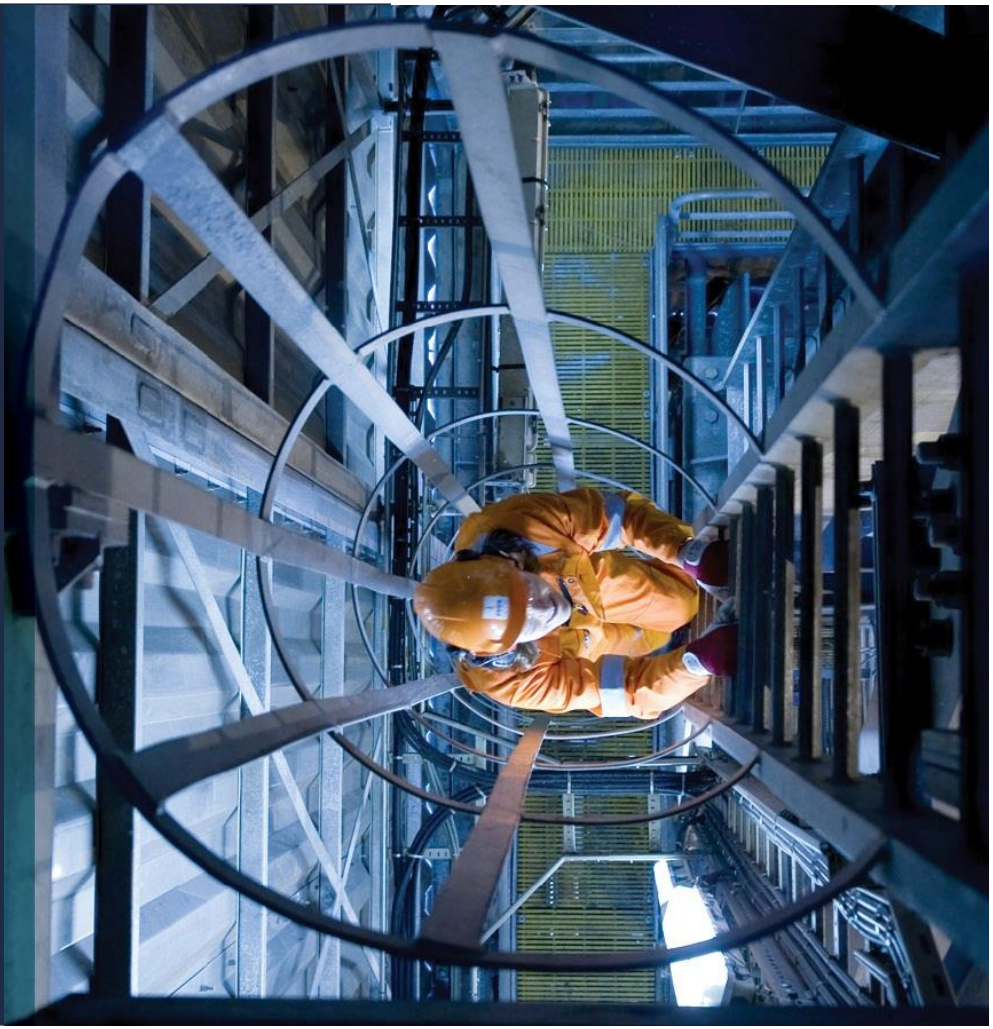

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Introduction

ODFJELL DRILLING

Odfjell Drilling is a listed international drilling, well service and engineering company with 2,500 employees and operations in more than 20 countries.

Key Financials

$ 215 Mill
Revenue Q3 2019

$ 1,410 Mill
Gross debt as per Q3 2019

$ 94 Mill
EBITDA Q3 2019

$ 131 Mill
Cash as per Q3 2019

$ 2,100 Mill
Backlog as per Q3 2019

39 %
Equity ratio as per Q3 2019

Our Businesses

Mobile drilling units

X 5

- ✓ 6th generation high spec and efficient harsh environment units

Well services

- ✓ Tubular running
- ✓ Rental services
- ✓ Well intervention
- ✓ Wired drillpipe

Platform drilling

X 12

- ✓ Platform drilling operations on NCS/UKCS

& Technology

- ✓ Fully integrated drilling engineering & inspection services

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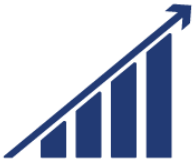
Strategic focus and priorities

Strategic Focus

- Be the preferred harsh environment driller
- Frontrunner in the **green** shift
- Continue to develop as a strong service provider
- Healthy order backlog
- Continuous business improvement program

Priorities

Maintain sufficient financial strength and sound leverage ratio



Value-adding growth

Secure sustainable dividend capacity

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Q3 19 - key summary

- **More work for Deepsea Stavanger in South Africa**
- **Successful commencement of Deepsea Yantai's first operations**
- **Strong operational performance across the MODU fleet**
- **Continued strong performance in Drilling & Technology**
- **Slightly better outlook for Well Services**

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Highlights and material events in/after Q3 2019

Deepsea Stavanger secured more work for Total in South Africa

- On 11 July 2019 a contract with oil major, Total, was entered into for drilling offshore South Africa with the 6th generation semi-submersible, Deepsea Stavanger.

- The contract value including compensation for mobilization and demobilization periods is estimated as being USD 145 - 190 million plus incentives. The company expects the drilling program to take 180-280 days. Mobilization to South Africa is expected to start in Q1 2020.

Deepsea Yantai commenced contract with Neptune Energy

- Deepsea Yantai commenced, on 31 October 2019, its contract with Neptune Energy on the Norwegian Continental Shelf. The contract is currently for 8 firm wells after client recently exercised additional two wells of the optional wells package. There are 8 optional wells remaining.

- As earlier announced, CIMC Raffles and Odfjell Drilling entered into a 4 year management agreement applicable from 19 March 2019 whereby Odfjell Drilling will manage and operate Deepsea Yantai on behalf of CIMC Raffles based on terms and conditions customary for these type of agreements. The agreement also secures Odfjell Drilling the exclusive right to purchase the unit and a right of first refusal on any offer to purchase the unit following the exclusivity period.

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Mobile Offshore drilling Units (MODU) - Strong operations with high utilization

Q3 2019 Financial Utilization

Financial Utilization[1]	Q3 19	Q3 18	YTD 19	YTD 18	FY 18
Deepsea Stavanger	98,6 %	98,9 %	98,6 %	98,7 %	98,7 %
Deepsea Atlantic	98,8 %	98,1 %	98,1 %	98,8 %	98,4 %
Deepsea Bergen	99,9 %	96,1 %	99,3 %	98,3 %	98,2 %
Deepsea Aberdeen	96,8 %	98,9 %	97,6 %	98,3 %	98,4 %
Deepsea Nordkapp	99,4 %	n/a	99,2 %	n/a	n/a

1) Financial Utilisation is measured on a monthly basis and comprises the actual recognised revenue for all hours in a month, expressed as a percentage of the full day rate for all hours in a month. Financial Utilization, by definition, does not take into account periods of non-utilisation when the units are not under contract.

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Mobile Offshore drilling Units (MODU) - Contract status and day rates

Drilling unit	Year built	Location /operator	Day rate (KUSD/day)*
Deepsea Bergen (3G, MW, HE)	*1983*	Norway / UK / Norway Equinor/Ithaca/OMV/MOL	180
Deepsea Atlantic (6G, UDW, HE)	*2009*	Norway Equinor	296
Deepsea Stavanger (6G, UDW, HE)	*2010*	Norway/ South Africa Aker BP/ Total	279/438
Deepsea Aberdeen (6G, UDW, HE)	*2014*	UK BP Exploration	431
Deepsea Nordkapp (6G, DW, HE)	*2019*	Norway Aker BP	300/328**
Deepsea Yantai (6G, MW, HE)	*2019*	Norway Neptun	Managed unit

Firm MODU contract backlog at 30 September 2019 of USD 0.9 billion with additional priced options valued at USD 0.2 billion***

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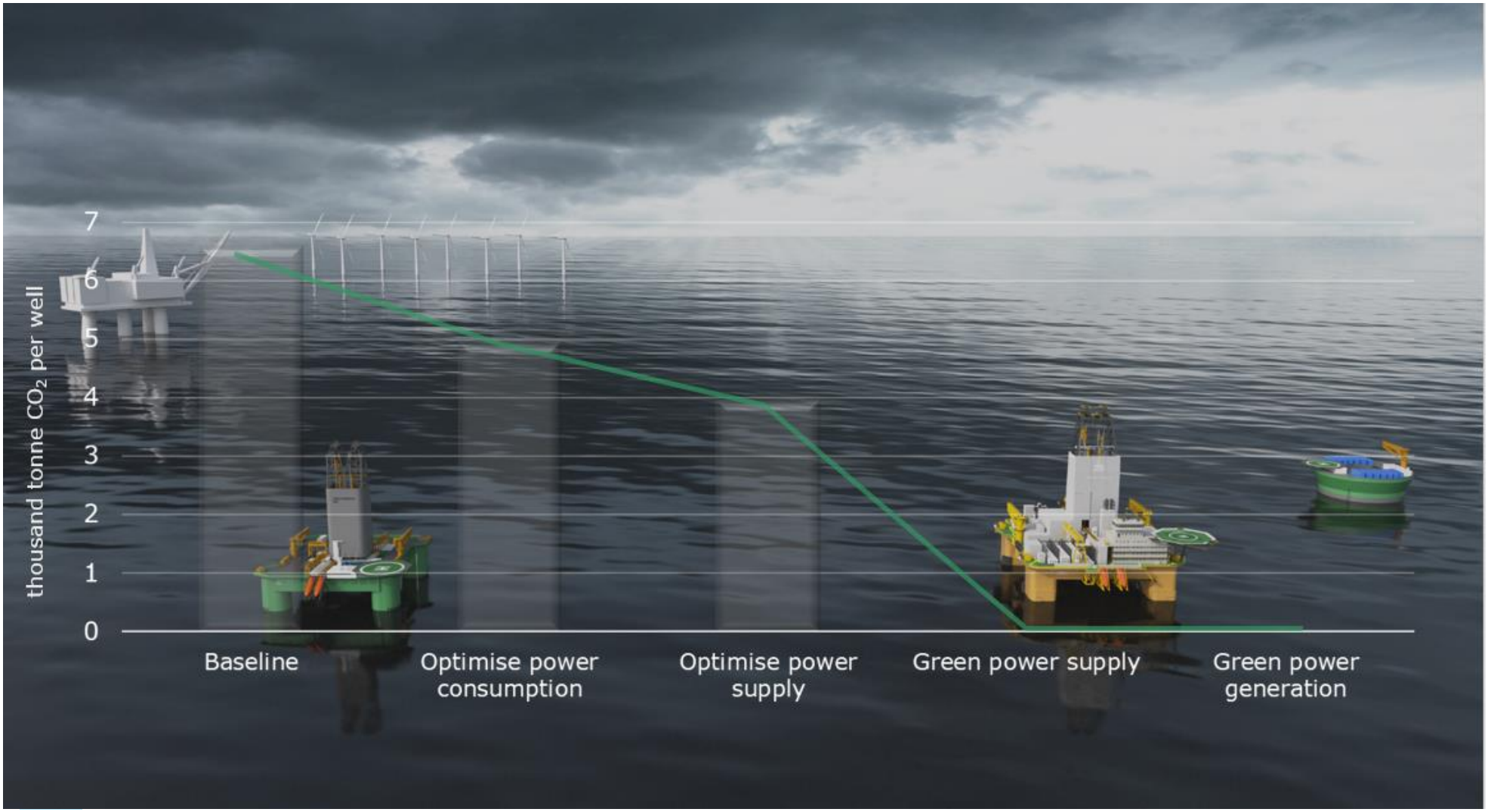
* Rates may include mix of currencies and fluctuate based on exchange rates.
** Deepsea Nordkapp rate shall be minimum USD 325,000 per day on average. Rate for first 12 months set at USD 300,000 per day and for the following 12 months at USD 327,500 per day
*** The backlog does not include revenue from MODU management

Other definitions: 3G: Third generation, 6G: Sixth generation, MW: Mid water, UDW: Ultra deep water, HE: Harsh environment

The journey towards zero emmission drilling



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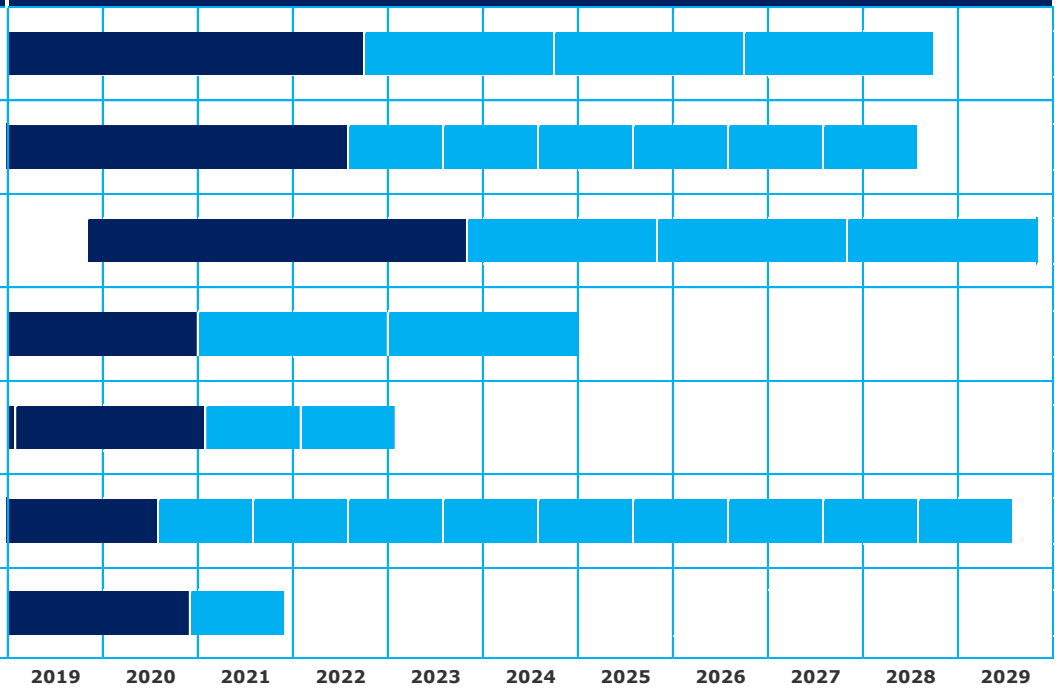
Platform Drilling and Technology
- Portfolio secured by medium to long-term contracts

Customers	Platforms	Location
equinor	Heidrun	Norway
	Johan Sverdrup	Norway
	Mariner (1)	UK
wintershall	Brage	Norway
bp	3 UK Platforms (2)	UK
TAQA	4 UK Platforms (3)	UK
SERICAENERGY	Bruce	UK



Contract Option

Firm contract backlog of USD 0.3 billion at 30 September 2019
Value of priced optional periods of USD 0.8 billion

1) Please note that the Mariner contract contains the option to operate the Bressay field
2) Clair, Andrew, Clair Ridge
3) Harding, Tern Alpha, Cormorant Alpha, North Cormorant

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Well Services
- Pricing pressure offset by cost efficiency measures

Product lines

Tubular Running Services

- Conventional and remote-operated casing running tools
- Casing/tubing running and recovery for all sizes up to 42”
- Top drive casing running
- Integrated TRS

Casing While Drilling

- Casing While Drilling
- ECI retrievable CWD system
- Advanced casing deployment tools
- REACH – High torque reamers
- DEFUSE – High speed reamers

Well Intervention Services

- Wellbore clean-up tools and services
- Casing exits
- Fishing services
- Well abandonment
- Slot recoveries

Drill Tool Rental Services

- Drilling tools rentals including drill pipe, drill collars, HWDP, tubing, collars, handling tools, stabilisers, hole openers, roller reamers, non mags, jars & shock tools, subs and valves

Odfjell Well Services in numbers

Experience	Services from		Operations in
35+ years experience	**14+** bases	**500+** employees	**20+** countries

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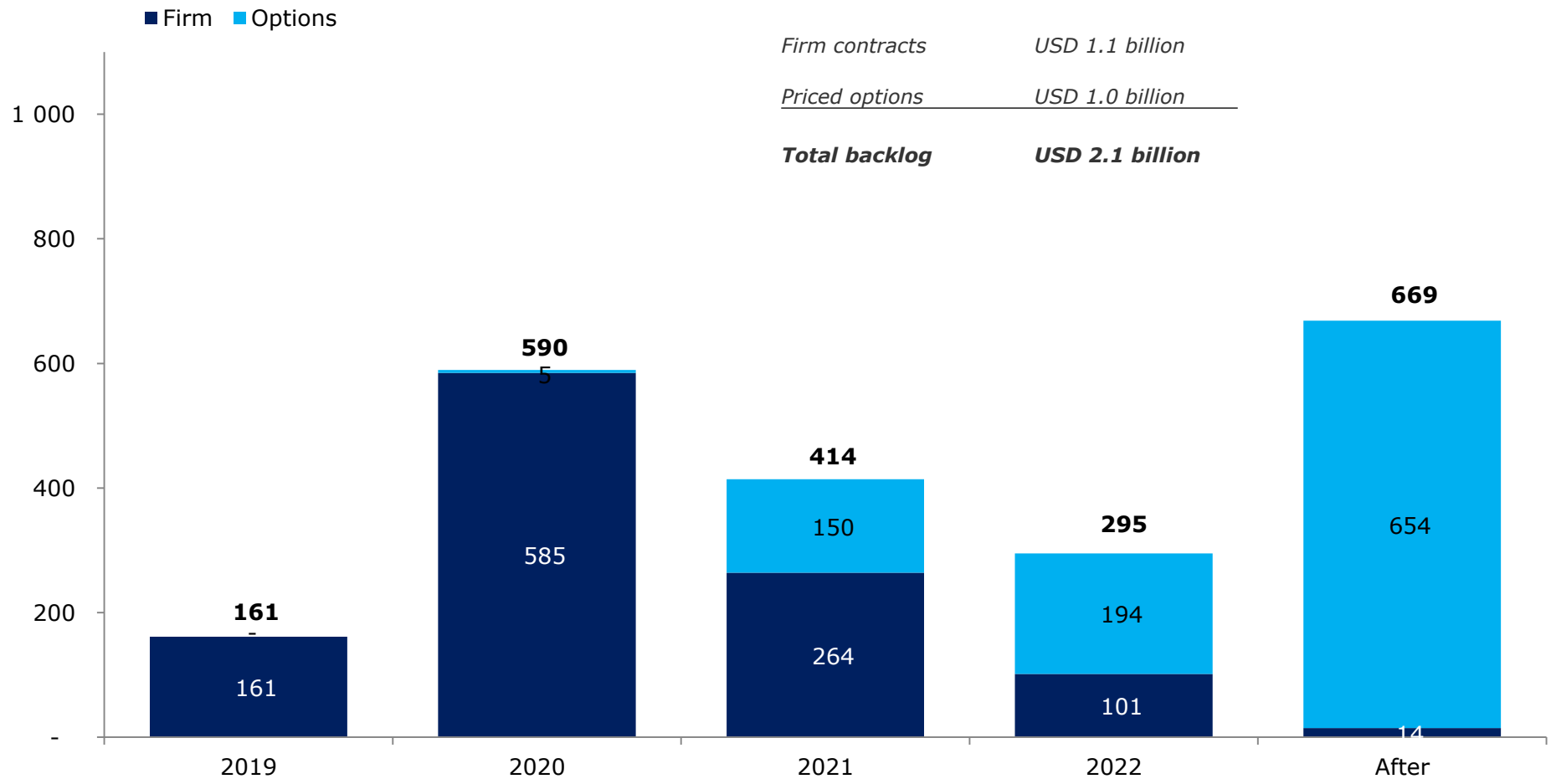
Earnings visibility through USD 2.1 billion order backlog

Total revenue backlog per year[1]



Firm contracts	*USD 1.1 billion*
Priced options	*USD 1.0 billion*
Total backlog	***USD 2.1 billion***

1) Estimates at 30 September 2019. Revenue from frame agreements and call-off contracts in Well Services and revenue from Technology and MODU Management is not included in the backlog.

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Market outlook

General

- Successful efficiency programs carried out by E&P and service industry
- Uncertain world economy outlook

  => Increasing E&P activity, but pace dependent on overall world economy

MODU

- Still significant oversupply in the global rig market
- Harsh environment markets are closer to supply/demand balance
- Preference by E&P companies for high-spec and efficient 6 gen units
- Substantial scrapping of mature units over the last few years

  => Increasing demand for ODL fleet

Well Services

- Still over-supply of available resources and equipment
- Observe an increased tender activity in the European and Middle East markets
- Well Services has maintained its low capital expenditures to enhance utilisation of the existing equipment base
- Turning point in activity level has passed and we observe an improved market outlook

  => Time-lag effect on bottom line improvement

Platform Drilling & Technology

- Low volatility in the platform drilling market
- North Sea modification market still at low level, but likely to increase in the medium to long term

  => Stable market conditions and scale effects to be materialized

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Financial information

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Group summary financials

Condensed consolidated income statement

P&L - (USD million)	Q3 19	Q3 18	YTD 19	YTD 18	FY 18
Operating revenue	**215**	**181**	**602**	**531**	**698**
Other gains/losses	0	0	1	2	2
Personnel expenses	-86	-82	-238	-242	-304
Other operating expenses	-35	-30	-126	-99	-138
EBITDA	**94**	**69**	**239**	**191**	**259**
Depreciation	-47	-40	-134	-121	-161
Operating profit (EBIT)	**47**	**29**	**105**	**71**	**99**
Net financial items	-25	-20	-72	-60	-67
Profit/(loss) before tax	**22**	**9**	**33**	**10**	**31**
Income taxes	-1	-1	-2	-2	-4
Profit/(loss) for the period	**20**	**8**	**30**	**9**	**27**

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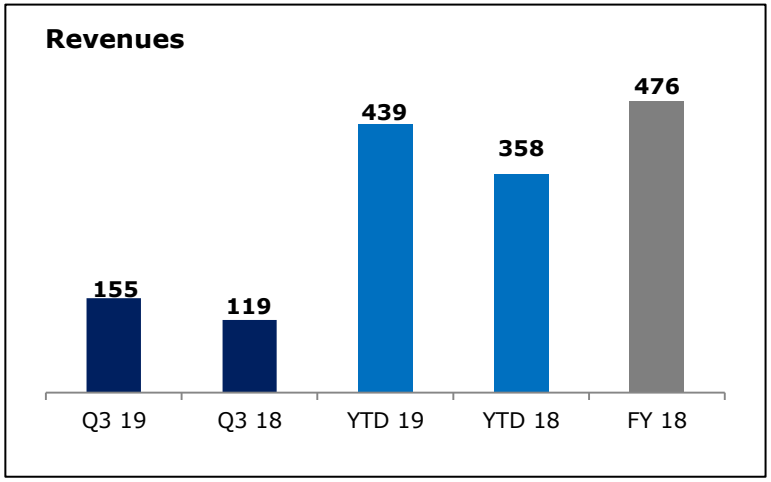
Segment reporting - MODU financials

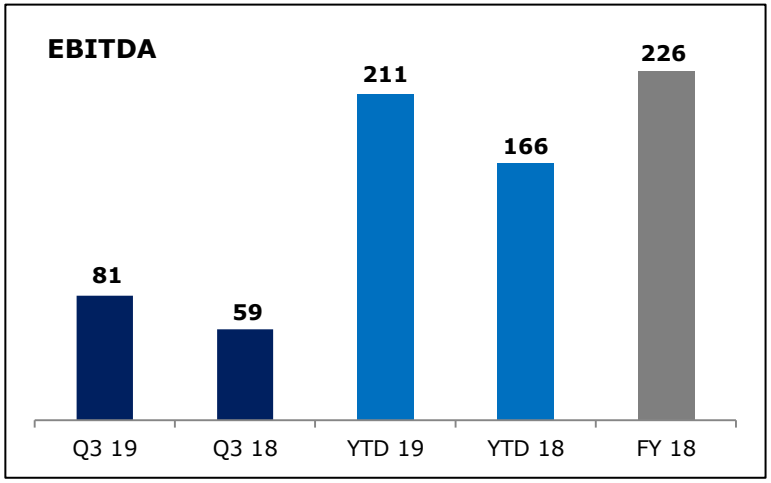
MODU

Condensed P&L - (USD million)	Q3 19	Q3 18	YTD 19	YTD 18	FY 18
Operating revenue	**155**	**119**	**439**	**358**	**476**
EBITDA	**81**	**59**	**211**	**166**	**226**
Depreciation and impairments	-40	-33	-110	-99	-133
EBIT	**41**	**26**	**101**	**67**	**94**
Book value rigs	2 182	1 844	2 182	1 844	1 855
EBITDA-margin	52,2 %	49,3 %	48,1 %	46,4 %	47,5 %
EBIT-margin	26,6 %	21,5 %	23,0 %	18,7 %	19,6 %
Share of group revenue[1]	69,8 %	64,1 %	69,8 %	65,4 %	65,5 %
Share of group EBITDA[1]	85,0 %	80,7 %	87,0 %	85,3 %	85,1 %
Share of group EBIT[1]	81,9 %	75,9 %	86,9 %	86,8 %	85,9 %

1) Before group eliminations and corporate overheads

Key Financials (USD million)





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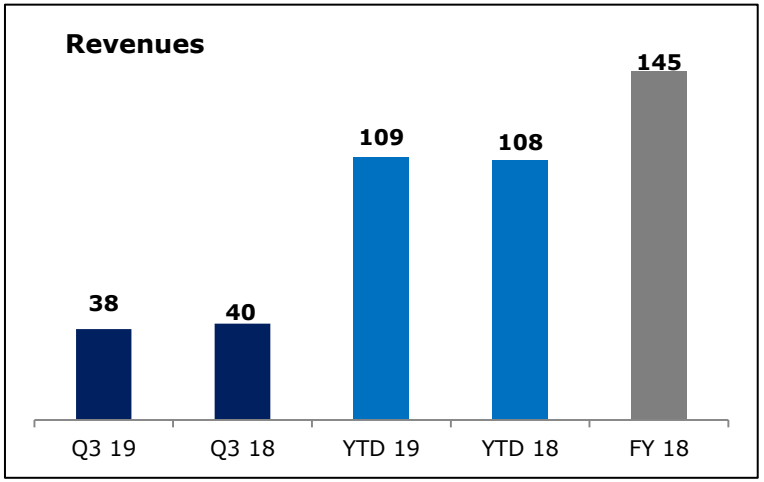
Segment reporting
- Drilling & Technology financials

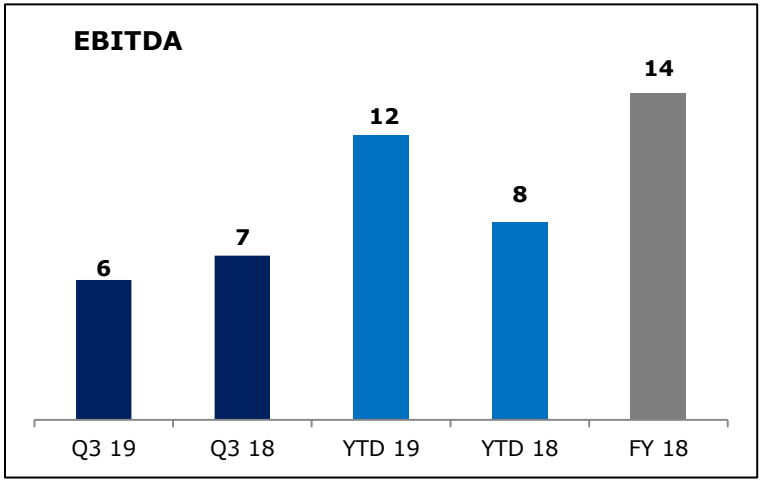
Drilling & Technology

Condensed P&L - (USD million)	Q3 19	Q3 18	YTD 19	YTD 18	FY 18
Operating revenue	**38**	**40**	**109**	**108**	**145**
EBITDA	**6**	**7**	**12**	**8**	**14**
Depreciation and impairments	-0	-0	-0	-0	-0
EBIT	**6**	**7**	**12**	**8**	**13**
EBITDA-margin	15,4 %	17,1 %	10,8 %	7,6 %	9,4 %
EBIT-margin	15,3 %	17,0 %	10,8 %	7,6 %	9,3 %
Share of group revenue[1]	17,0 %	21,4 %	17,3 %	19,7 %	19,9 %
Share of group EBITDA[1]	6,1 %	9,3 %	4,9 %	4,2 %	5,1 %
Share of group EBIT[1]	11,5 %	20,1 %	10,1 %	10,6 %	12,4 %

1) Before group eliminations and corporate overheads

Key Financials (USD million)





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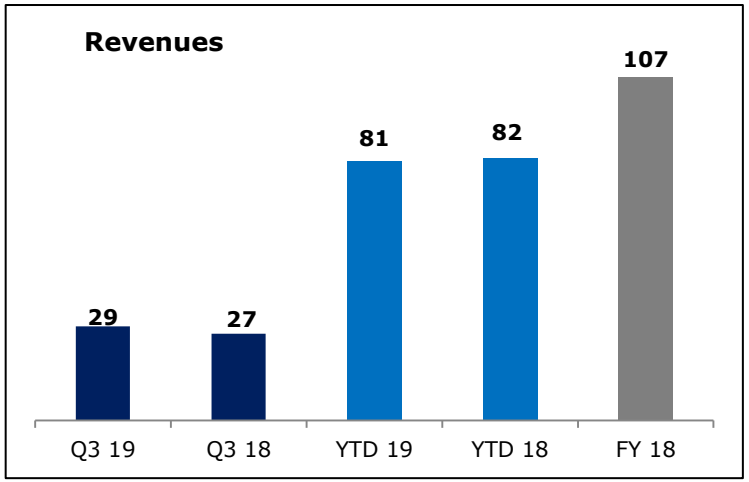
Segment reporting
- Well Services financials

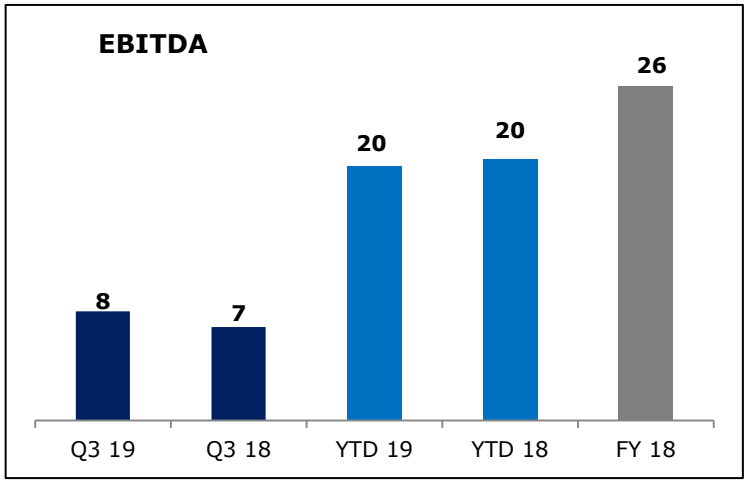
Well Services

Condensed P&L - (USD million)	Q3 19	Q3 18	YTD 19	YTD 18	FY 18
Operating revenue	**29**	**27**	**81**	**82**	**107**
EBITDA	**8**	**7**	**20**	**20**	**26**
Depreciation and impairments	-5	-6	-16	-18	-24
EBIT	**3**	**1**	**4**	**2**	**2**
Book value of equipment	72	74	72	74	71
Cost price for equipment in use	363	374	363	374	352
EBITDA-margin	29,0 %	26,9 %	24,5 %	25,0 %	24,3 %
EBIT-margin	11,2 %	5,0 %	4,4 %	2,4 %	1,7 %
Share of group revenue[1]	13,2 %	14,5 %	12,8 %	14,9 %	14,7 %
Share of group EBITDA[1]	8,9 %	10,0 %	8,2 %	10,5 %	9,8 %
Share of group EBIT[1]	6,6 %	4,0 %	3,0 %	2,6 %	1,7 %

1) Before group eliminations and corporate overheads

Key Financials (USD million)





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Group
- Eliminations & Reconciliation

Group – Eliminations & Reconciliation

(USD million)	Q3 19	Q3 18	YTD 19	YTD 18	FY 18
Elimination internal operating revenue	-7	-5	-26	-16	-29
Corporate overhead EBITDA	-3	-4	-10	-4	-7
Corporate overhead EBIT	-4	-5	-13	-7	-11

IFRS adjustments and reconciliations

(USD million)	Q3 19	Q3 18	YTD 19	YTD 18	FY 18
IFRS adjustments affecting EBITDA	2	0	6	1	1
EBITDA - Consolidated Group	**94**	**69**	**239**	**191**	**259**
IFRS adjustments affecting depreciation and impairment	-2	-	-5	-	-
EBIT - Consolidated Group	**47**	**29**	**105**	**71**	**99**
Net financial items	-25	-20	-72	-60	-67
Group profit before tax - Consolidated Group	**22**	**9**	**33**	**10**	**31**

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Summary statement of financial position

Group statement of financial position

Assets (USDm)	30.09.19	30.09.18	31.12.18
Deferred tax asset	2	3	1
Intangible assets	28	32	30
Property, plant and equipment	2 298	1 919	1 928
Financial fixed assets	0	1	1
Total non-current assets	**2 328**	**1 955**	**1 960**
Trade receivables	164	133	103
Contract assets	8	-	-
Other current assets	19	27	39
Cash and cash equivalents	131	184	175
Total current assets	**322**	**344**	**316**
Total assets	**2 650**	**2 299**	**2 276**

Equity and liabilities (USDm)	30.09.19	30.09.18	31.12.18
Total paid-in capital	565	565	565
Other equity	475	450	459
Total equity	**1 040**	**1 015**	**1 024**
Non-current interest-bearing borrowings	1 204	342	312
Non-current lease liabilities	34	-	-
Post-employment benefits	13	11	10
Non-current contract liabilities	1	2	0
Other non-current liabilities	6	0	-
Total non-current liabilities	**1 259**	**355**	**322**
Current interest-bearing borrowings	205	813	783
Current lease liabilities	7	-	
Contract liabilities	15	23	28
Trade payables	47	33	42
Other current liabilities	77	60	78
Total current liabilities	**351**	**928**	**931**
Total liabilities	**1 610**	**1 284**	**1 253**
Total equity and liabilities	**2 650**	**2 299**	**2 276**

- Group's gross interest bearing debt was USD 1,410 million (net of capitalized financing fees) at 30 September 2019.
- USD 131 million in cash and cash equivalents at 30 September 2019 in addition of USD 60 million in available and undrawn credit facility.
- Equity-ratio of 39% at 30 September 2019.

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Summary statement of cash flow

Group statement of cash flow

Cash Flow - (USDm)	Q3 19	Q3 18	YTD 19	YTD 18	FY 18
Profit before income tax	**22**	**9**	**33**	**10**	**31**
Adjustment for provisions and other non-cash elements	71	59	205	168	212
Change in working capital	-47	-19	-57	-6	44
Cash from operations	**46**	**48**	**181**	**172**	**288**
Interest paid	-19	-16	-56	-48	-66
Income tax paid	-1	-0	-2	-1	-1
Net cash from operations	**27**	**32**	**123**	**124**	**221**
Purchase of property, plant and equipment	-37	-15	-406	-257	-306
Other cash flows from investment activities	-2	0	-5	2	12
Net cash used in investing activities	**-39**	**-15**	**-411**	**-255**	**-293**
Net change in debt	-27	-15	260	-85	-145
Other financing	-4	0	-7	236	234
Net cash from financing activities	**-31**	**-15**	**253**	**151**	**89**
Net change in cash and cash equivalents	**-43**	**2**	**-35**	**20**	**16**
Cash and cash equivalents at period start	179	181	175	166	166
FX gains/(losses) on cash and cash equivalents	-5	0	-8	-2	-7
Cash and cash equivalents at period end	**131**	**184**	**131**	**184**	**175**

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Summary Q3 2019

MODU:

- Attractive harsh environment assets, strong backlog and healthy outlook

Drilling & Technology:

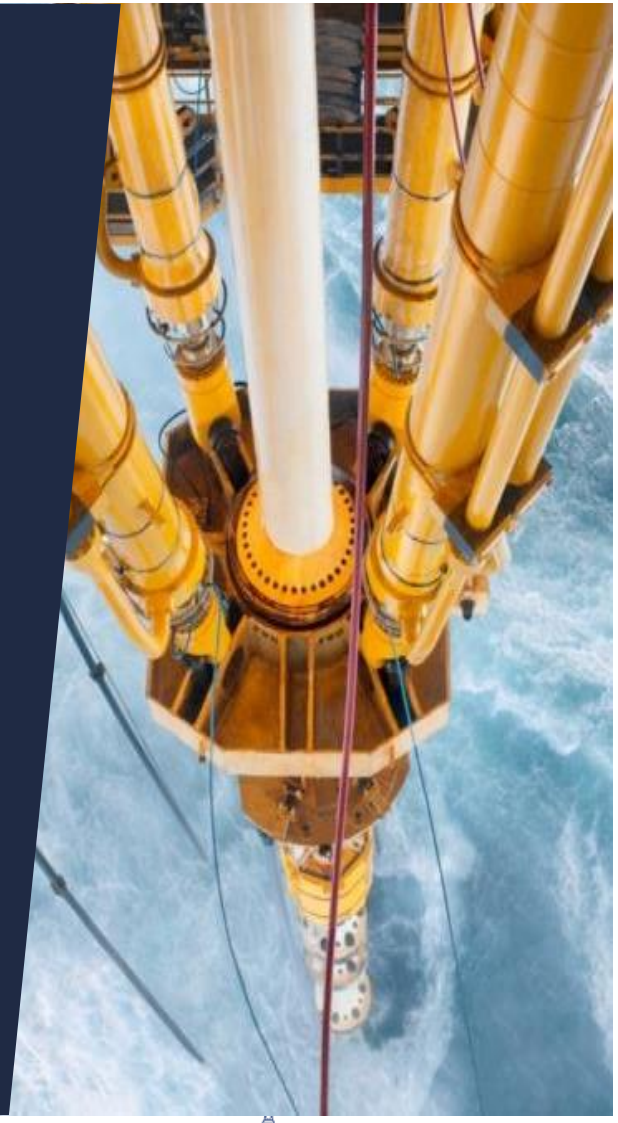
- Improved financial performance supported by strong backlog

Well Services:

- Turning point has passed and increased tender activity will lead to higher utilization and prices

Key Financials:

- Earnings visibility through USD 2.1 billion order backlog
- Sound cash position in combination with undrawn bank facility
- No short term refinancing requirement



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Next event:
Q4 2019 results tentatively scheduled to be published 27 February 2020

For more information see: www.odfjelldrilling.com

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